Archdiocese of Brisbane

Archdiocesan Development Fund

Special Purpose Financial Statements
For the year ended 31 December 2020

Contents to the Financial Statements

Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Interest revenue	3	48,148	54,556
Interest expense	3	(24,571)	(28,520)
Net interest		**23,577**	**26,036**
Other revenue	3	4,720	1,705
Total revenue		**28,297**	**27,741**
Administration expenses		(3,267)	(3,418)
Bank charges		(869)	(834)
Office occupancy		(346)	(336)
Depreciation		(120)	(109)
Net profit/(loss) on sale of fixed assets		15	1
Contribution to Congregation of Leaders of Religious Institutes Queensland		(250)	(250)
Operating surplus before contribution		**23,459**	**22,795**
Contribution by the ADF to the Archdiocese of Brisbane	4	(15,000)	(17,000)
Operating surplus for the year		**8,459**	**5,795**
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		-	(1)
Total comprehensive income for the year		**8,459**	**5,794**

The statement of comprehensive income is to be read in conjunction with the attached notes.

Statement of Financial Position
as at 31 December 2020

	Note	2020 $'000	2019 $'000
Assets			
Cash	5	5,706	2,436
Receivables and other assets	6	2,743	2,818
Financial assets	7	577,928	396,833
Loans for Church projects	8	1,096,992	957,523
Plant and equipment	9	1,492	1,313
Total assets		**1,684,860**	**1,360,923**
Liabilities			
Payables	10	499	2,683
Customers' funds	11	1,570,004	1,252,334
Provisions	12	318	328
Total liabilities		**1,570,820**	**1,255,345**
Net assets		**114,040**	**105,578**
Equity			
Investment reserves		-	(3)
Accumulated Funds	13	114,040	105,581
Total Equity		**114,040**	**105,578**

The statement of financial position is to be read in conjunction with the attached notes.

Statement of Changes in Equity
for the year ended 31 December 2020

	Note	Investment Reserves $'000	Accumulated Funds $'000	Total $'000
Opening Balance at 1 January 2019	13	(2)	99,786	99,784
Operating surplus for the year		-	5,795	5,795
Other comprehensive income/(expense)		(1)	-	(1)
Balance at 31 December 2019		**(3)**	**105,581**	**105,578**
Operating surplus for the year		-	8,459	8,459
Other adjustment		3	-	3
Balance at 31 December 2020		**-**	**114,040**	**114,040**

The statement of changes in equity is to be read in conjunction with the attached notes.

Statement of Cash Flows
for the year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Interest received		48,195	54,292
Interest paid		(24,587)	(28,423)
		23,608	**25,869**
Payments to suppliers and employees		(3,642)	(2,839)
Net increase in customers' funds		317,670	25,698
Net increase in loans for Church projects		(139,085)	(174,203)
Management fees, rebates and other		1,091	1,705
Net cash (outflow) from operating activities	16	**199,641**	**(123,770)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		29	15
Payments for plant and equipment	9	(304)	(198)
Net purchase of investment securities		(8,151)	(49,583)
Net cash (outflow) from investing activities		**(8,426)**	**(49,766)**
Cash flows from financing activities			
Contributions to the Archdiocese of Brisbane	4	(15,000)	(17,000)
Net cash inflow/(outflow) from financing activities		**(15,000)**	**(17,000)**
Net increase/(decrease) in cash		176,215	(190,536)
Cash at the beginning of the financial period		78,572	269,108
Cash at end of year	5	**254,787**	**78,572**

The statement of cash flows is to be read in conjunction with the attached notes.

Index to notes to and forming part of the special purpose financial statements for the year ended 31 December 2020

Index to notes to and forming part of the special purpose financial statements for the year ended 31 December 2020 (continued)

Notes to and forming part of the special purpose financial statements

1. Archdiocesan Development Fund information

The Archdiocesan Development Fund (ADF) is part of the Archdiocese of Brisbane. The Archdiocese exists under and operates in accordance with the 1983 Code of Canon Law. The Archdiocese also operates in civil law through The Corporation of the Trustees of the Roman Catholic Archdiocese of Brisbane which was incorporated by Letters Patent on 25 July 1935 under the Religious Educational and Charitable Institutions Act 1861.

The mandate of the ADF is to be the provider of loans and facilitate banking services within the Archdiocese of Brisbane, including Agencies and Parishes, as well as other Catholic Entities with Juridic status and Charitable Entities associated with the Catholic Church (on the basis of the Archbishop's approval).

In addition, the ADF will make annual contributions to the Archdiocese of Brisbane including agencies at the direction of the Archbishop to assist in funding the activities of the Catholic Church.

The business office of the ADF is 229 Elizabeth Street, Brisbane QLD 4000.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of significant accounting policies

The ADF is not a reporting entity as defined in Statements of Accounting Concepts SAC 1 Definition of the Reporting Entity because there are no users dependent on general purpose financial statements. For the purposes of preparing the Financial Statements, the ADF is a not-for-profit entity.

This special purpose financial report has been prepared for the sole purpose of distribution to the Archbishop of the Archdiocese of Brisbane to fulfil financial reporting requirements under Canon Law and ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813, and must not be used for any other purpose. The accounting policies adopted in the preparation of the financial statements are, in the opinion of the ADF Board (the Board), appropriate to meet the needs of the Archbishop. Unless otherwise noted, amounts are denominated in Australian dollars.

Compliance with accounting standards
These special purpose financial statements have been prepared in accordance with all the recognition and measurement requirements of Australian Accounting Standards and Interpretations.

Historical cost convention
The financial report is prepared in accordance with the historical cost convention except for financial assets through profit and loss that have been measured at fair value.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the ADF's accounting policies.

An accounting estimate has been provided in the calculation of long service leave entitlements, provision for doubtful debts and financial assets at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

(b) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, in banks, net of outstanding bank overdrafts and CCIS deposits.

Note 5(a) recognises the ADF's investment in CCIS as a component of the statement of cash flows, as CCIS' deposits are maintained for a short-term, with term deposit maturities in the CCIS investment portfolio less than 3 months of balance date.

(c) Financial Assets

(i) Catholic Church Investment Service

Funds placed with the Catholic Church Investment Service are classified as held to collect contractual cash flows, which are solely payments of principal and interest. The investment is initially measured at fair value and subsequently measured at amortised cost. The maximum term to maturity is twelve months.

Catholic Church Investment Service is an investment service operated on behalf of and for the benefit of Catholic Church Development Funds (Funds) within Australia and operates as a mechanism through which Catholic Church Development Funds can invest surplus cash resources until such time as they are required for other purposes.

The objectives of Catholic Church Investment Service are to:

(1) improve investment returns for the participating Funds by creating a professionally managed central investment pool of sufficient size to achieve economies of scale;

(2) provide an outlet within the national system for Funds with excess liquidity;

(3) provide prudential safeguards for investors through the greater liquidity that the Catholic Church Investment Service offers Funds;

(4) plan for better stewardship of the Church's resources by maximising those resources; and

(5) provide more operational support to the Church's resources for those Dioceses or Funds.

Monies invested by Catholic Church Investment Service are in accordance with the documented Catholic Church Investment Service Investment Policy. The ADF is the manager of Catholic Church Investment Service.

(ii) QIC Portfolio

Funds invested through QIC Limited (QIC) are classified as financial assets at amortised cost and financial assets at fair value through profit or loss, where applicable, depending on the nature of the underlying investment component. The purpose of the QIC portfolio is to invest in a buy and hold portfolio of fixed interest securities issued by financial institutions (banks and insurers) in Australian dollars and nominated foreign currencies (hedged back to Australian dollars) with a longer-term investment horizon (3 to 5 years).

The portfolio may also invest in cash held with the ADF's custodian (Northern Trust Company) and QIC Cash Fund units. All investments are to be made within the parameters of the Investment Management Agreement.

(iii) Impairment

The ADF assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. See Note 18(b) Credit Risk.

2. Summary of significant accounting policies (continued)

(d) Impairment of non-financial assets

Non-financial assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

(e) Plant and equipment

All plant and equipment are stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives on all plant and equipment (excluding artworks), as follows:

- Asset residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.
- An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as per impairment policy at 2(d).
- Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

The major depreciation periods are:

Furniture and fittings	3 to 8 years
Computer equipment	2½ to 8 years
Fitout and improvements	25 years
Motor vehicles	3 to 8 years

(f) Employee entitlements

(a) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of reporting date are recognised in other trade payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates payable.

2. Summary of significant accounting policies (continued)

(f) Employee entitlements (continued)

(b) Long service leave and sick leave

Long service leave is recognised as a present entitlement when an unconditional legal entitlement arises after a qualifying period of service (being 7 years). This current liability is recognised in the provision for employee entitlements using a nominal basis for measurement. Long service leave which is not a present entitlement, i.e., employees have not satisfied the qualifying period of service, is recognised using an estimate of the present value of expected future payments and disclosed as provisions. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian Corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(c) Superannuation commitments

The ADF contributes to a number of employee superannuation funds. These funds are accumulation plans. The ADF has no legal obligation to make up any shortfall in funds' assets to meet payments due to employees. Contributions are made by the ADF to superannuation funds as required to satisfy contribution responsibilities covered under the Superannuation Guarantee Charge legislation, various enterprise bargaining agreements, awards and individual contracts.

(g) Loans for Church projects

Loans for Church projects represent loans to approved borrowers who are legally part of the Corporation of the Trustees of the Roman Catholic Archdiocese of Brisbane, Religious Congregations and other entities considered to be part of the Catholic Church mission. In considering the repayment term of the loans the following factors are relevant:

(i) Many of the borrowings are covered by substantial investments from the same entities, on the understanding that these borrowers will continue to invest their surplus funds in the ADF.
(ii) A significant proportion of these investments from borrowing entities are in the name of Archdiocesan Entities under the direct control of the Archbishop.
(iii) The amount provided for impairment of loans is determined by Management and the Board. Management assesses on a forward-looking basis the expected credit losses associated with loans from church projects. The impairment methodology applied depends on whether there has been a significant increase in credit risk. ADF applies the general approach permitted by AASB 9. Note 18 (b) details the credit risk management approach to loan impairment.

(h) Customers' funds

Customers' funds are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method. Interest is recognised on an accrual basis.

There is $10m in customer investments for terms beyond 12 months; the remainder of investments are due within one year. The majority of investments are by organisations which also have loans from the ADF.

2. Summary of significant accounting policies (continued)

(i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(j) Income tax

The Corporation of the Trustees of the Roman Catholic Archdiocese of Brisbane is registered with the Australian Taxation Office as a charitable institution and therefore the ADF is exempt from income tax.

(k) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in the presentation in the current year.

(l) Rounding of amounts

Amounts shown in the financial report have been rounded to the nearest thousand dollars, or in certain cases, the nearest whole dollar.

(m) Loans

Loans are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost as at 31 December 2020. Interest is recognised on an accrual basis and is recorded as part of payables.

(n) Trade payables

These amounts represent liabilities for goods and services provided to the ADF prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually payable within 30 days of recognition.

(o) Fair value measurement

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

3. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Interest
Interest is recognised in the accounts on an accrual basis. Investment income is recognised when the interest is due and receivable. Loan interest is recognised in accordance with the terms of the loan agreement.

(ii) Management fees
Management fees are recognised in the accounts on an accrual basis that is when they are due and receivable.

(a) Interest revenue

The following table shows the amount of interest revenue or expense.

	Note	2020 $'000	2019 $'000
Interest revenue			
Loans for Church projects	2 (g)	37,615	34,949
Financial Assets	2 (c)(ii)		
- Measured at amortised cost		10,533	19,549
- Measured at fair value		-	58
		48,148	**54,556**
Interest expense			
Customers' funds	2 (h)	24,571	28,060
Liquidity funds		-	460
		24,571	**28,520**

(b) Other revenue

	2020 $'000	2019 $'000
Non-interest revenue		
Management fees	547	630
Fee income	544	677
Realised gains on financial assets available for sale	-	(2)
Unrealised gains on financial assets	1,213	
Realised gains on financial assets held to maturity	2,415	400
	4,720	**1,705**

4. Contribution by the ADF to the Archdiocese of Brisbane

	2020 $'000	2019 $'000
Archdiocese of Brisbane	15,000	17,000
	15,000	**17,000**

The ADF makes an annual distribution to the Archdiocese of Brisbane to fund key pastoral ministries and initiatives. In 2020, the standard distribution of $15m was approved by the ADF Board. As at 31 December 2020, there are no outstanding balances, including commitments to the Archdiocese of Brisbane.

5. Cash and cash equivalents

	Note	2020 $'000	2019 $'000
Cash at bank and on hand	2 (b)	**5,706**	**2,436**

The cash at bank and on hand bear floating interest rates between 0% and 1.25%.

	Note	2020 $'000	2019 $'000
(a) Reconciliation to Statement of Cash Flows			
Cash at bank and on hand		5,706	2,436
Financial Assets	2 (b) and 7	249,081	76,136
		254,787	**78,572**

The above table recognises the ADF's investment in CCIS as a component of the statement of cash flows, as CCIS' deposits are maintained for a short-term.

6. Receivables and other assets

	2020 $'000	2019 $'000
(a) Receivables		
Interest receivables	1,187	1,232
Net GST receivable	1,167	1,537
Trade receivables	374	-
Total receivables	**2,728**	**2,769**
(b) Other assets		
Prepayments	15	49
Total other assets	**15**	**49**
Total receivables and other assets	**2,743**	**2,818**

7. Financial assets

	Note	2020 $'000	2019 $'000
Financial Assets at amortised cost			
Catholic Church Investment Service	2 (c)	249,081	76,136
QIC	2 (c)	321,886	314,304
Financial Assets at fair value through profit or loss			
QIC	2 (c)	6,961	6,393
		577,928	**396,833**
Maturity analysis			
At call		249,081	76,136
1 – 30 days		328,847	320,697
		577,928	**396,833**

8. Loans for Church projects

	Note	2020 $'000	2019 $'000
Term loans		1,094,781	955,016
Lines of credit/Come & Go loans		2,211	2,507
		1,096,992	**957,523**
Amount of loans expected to be recovered more than 12 months after the reporting date		**952,529**	**817,076**
Concentrations of loans			
The ADF has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:	2 (g)		
- Archdiocesan		318,280	286,226
- Parishes		93,748	105,485
- Public Juridic Persons		542,064	438,880
- Other Catholic Entities		142,900	126,932
		1,096,992	**957,523**

There are no impaired loans as at balance date.

9. Plant and equipment

	Fitout and improvements $'000	Plant and equipment $'000	Total $'000
At 1 January 2019			
- Cost	1,007	641	1,648
Accumulated depreciation	(49)	(361)	(410)
Net book amount	**958**	**280**	**1,238**
Year ended 31 December 2019			
Opening net book amount	958	280	1,238
Additions	0	198	198
Disposals	0	(14)	(14)
Depreciation charge	(40)	(69)	(109)
Closing net book amount	**918**	**395**	**1,313**
At 31 December 2019			
- Cost	1,007	816	1,823
Accumulated depreciation	(89)	(421)	(510)
Net book amount	**918**	**395**	**1,313**
At 1 January 2020			
- Cost	1,007	816	1,823
Accumulated depreciation	(89)	(421)	(510)
Net book amount	**918**	**395**	**1,313**
Year ended 31 December 2020			
Opening net book amount	918	395	1,313
Additions	0	304	304
Disposals	0	(11)	(11)
Depreciation charge	(40)	(74)	(114)
Closing net book amount	**878**	**614**	**1,492**
At 31 December 2020			
- Cost	1,007	1,109	2,116
Accumulated depreciation	(129)	(495)	(624)
Net book amount	**878**	**614**	**1,492**

10. Payables

	2020 $'000	2019 $'000
Accrued interest payable on customers' funds	135	151
Dormant accounts – unclaimed monies	1	-
Trade payables	-	2,081
Facility fee income earned in advance	113	201
Contribution to Religious of Queensland	250	250
	499	**2,683**

11. Customers' funds

	Note	2020 $'000	2019 $'000
Customers' funds - Core		1,570,004	1,248,614
Customers' funds - Liquidity		-	3,720
	2 (h)	**1,570,004**	**1,252,334**
Maturity analysis			
At call		1,560,004	1,238,614
Not longer than 3 months		-	3,720
Longer than 1 year		10,000	10,000
		1,570,004	**1,252,334**
Concentration of customers' funds			
Archdiocesan		532,271	514,417
Associates		2,995	2,881
Parishes		158,814	137,752
Public Juridic Persons		603,244	481,025
Other Catholic Entities		272,680	116,259
		1,570,004	**1,252,334**

Total customers' funds consist of core funding. A significant amount of customers' funds are obtained from Archdiocesan Entities, Parishes and Religious Congregations. These funds are subject to withdrawal based on the operational needs of each operating entity.

	Note	2020 $'000	2019 $'000
Archdiocesan investment subordinated	2 (h)	**10,000**	**10,000**

With effect from 19 May 2017 the Corporation of the Trustees of the Roman Catholic Archdiocese of Brisbane has subordinated the sum of $10m invested by the Corporation in the ADF in favour of the customers' funds (other than the Corporation) of the ADF. The subordinated amount will be available to meet calls for repayment of invested funds owed to the customers in priority and preference to any call by the Corporation. The Corporation may from time to time vary or revoke the subordinated amount. Any Deed of Revocation or reduction in the subordinated amount will take effect twelve calendar months following execution of the Deed.

12. Provisions

	Note	2020 $'000	2019 $'000
Employee entitlements	2 (f)	318	328
		318	328

13. Accumulated funds

	2020 $'000	2019 $'000
Movements in accumulated funds were as follows:		
Accumulated funds at the beginning of the year	105,581	99,786
Operating surplus before contribution	23,459	22,795
Contribution to the Archdiocese of Brisbane	(15,000)	(17,000)
Other comprehensive income/(expense)	-	-
Accumulated funds at the end of the year	**114,040**	**105,581**

14. Fiduciary activities

The ADF manages monies on behalf of other Dioceses in its capacity as manager of the Catholic Church Investment Service. The Catholic Church Investment Service invests monies into cash and short-term deposits. The carrying amount of the assets not included within the financial statements is:

	2020 $'000	2019 $'000
Funds managed	207,540	218,076
	207,540	**218,076**

15. Contingent liabilities

(a) Approved but undrawn loans and lines of credit

At balance date the approved but undrawn loan facilities of customers totalled $552m. It is expected that the majority of these facilities will be drawn down within the next 24 months. Of this balance, undrawn lines of credit accounted for $122m.

(b) Bank guarantees

The ADF has indemnified the Commonwealth Bank of Australia for $3,725,938 (2019: $3,767,972) in guarantees on behalf of ADF customers. Management believes no liability will arise as in the event that the guarantees are called upon, the Fund has the right of redress from the customers.

16. Reconciliation of operating surplus to the net cash inflow from operating activities

	2020 $'000	2019 $'000
Operating surplus before contribution	23,459	22,795
Depreciation	114	109
Net (profit)/loss on sale of non-current assets	(15)	-
Change in operating assets and liabilities		
(Increase)/Decrease in interest receivable	47	(264)
Decrease/(Increase) in receivables	(354)	561
Increase/(Decrease) in payables	(2,168)	1,415
Increase/(Decrease) in interest payable	(16)	97
Increase/(Decrease) in leave provisions	(11)	22
Increase/(Decrease) in customers' funds	317,670	25,698
Increase in loans for Church project	(139,085)	(174,203)
Net cash inflow from operating activities	**199,641**	**(123,770)**

Cash flows on a net basis – cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

- Customer investments and withdrawals
- Customer draw downs and repayments
- Sale and purchase of plant and equipment.

17. Classes of financial assets and financial liabilities

The ADF holds the following financial instruments:

	2020 $'000	2019 $'000
Financial assets		
Financial assets at amortised cost		
Receivables	2,743	2,769
Catholic Church Investment Service	249,081	76,136
QIC	321,886	314,304
Loans and advances	1,096,992	957,523
Total financial assets at amortised cost	**1,670,702**	**1,350,732**
Financial assets at fair value through profit or loss		
QIC	6,961	6,393
Total financial assets at fair value through profit or loss	**6,961**	**6,393**
Total Financial assets	**1,677,663**	**1,357,125**
Cash and cash equivalents	5,706	2,436
Financial liabilities		
Subordinated debt	10,000	10,000
Customers' funds	1,560,004	1,242,334
Other payables	125	2,683
Total Financial liabilities	**1,570,129**	**1,255,017**

17. Classes of financial assets and financial liabilities (continued)

The ADF's exposure to various risks associated with the financial instruments is discussed in note 18. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(a) Financial assets at amortised cost

(i) Classification of financial assets at amortised cost

The ADF classifies its financial assets at amortised cost if both of the following criteria are met:

- The asset is held within the business model with the objective of collecting the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments:

	2020		2019	
	Current $'000	**Total $'000**	Current $'000	Total $'000
Corporate bonds (QIC)	**321,886**	**321,886**	314,304	314,304
	321,886	**321,886**	314,304	314,304

(b) Financial assets at fair value through profit or loss

(i) Classification of financial assets at fair value through profit or loss

The ADF classifies the following financial assets at fair value through profit or loss (FVPL):

- Equity investments that are held for trading;
- Equity investments for which the ADF has not elected to recognise fair value gains and losses through other comprehensive income; and
- Futures instruments for which the ADF is undertaking to eliminate foreign exchange risk.

Financial assets mandatorily measured at FVPL include the following:

	2020 $'000	2019 $'000
Current assets		
Unit trust equity (QIC)	**5,313**	6,393
Futures (QIC)	**1,648**	
	6,961	6,393

(ii) Fair value hierarchy and estimates

The ADF measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

17. Classes of financial assets and financial liabilities (continued)

(b) Financial assets at fair value through profit or loss (continued)

(ii) Fair value hierarchy and estimates (continued)

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by ADF is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(iii) Financial instruments measured at fair value - Fair value hierarchy

The following table presents the changes in level 1 items for the periods ended 31 December 2020 and 31 December 2019:

	Level 1 Investments $'000	Total $'000
2020		
Financial assets		
Financial assets at fair value through profit or loss	6,961	6,961
2019		
Financial assets		
Financial assets available for sale	6,393	6,393

There were no transfers during the year between Level 1 and Level 2 investments.

(c) Cash and cash equivalents

Refer to note 2(b) for disclosures that apply to cash and cash equivalents.

18. Risk management policy and objectives

Introduction

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the ADF.

Key risk management policies encompassed in the overall risk management framework include:

- Interest rate risk management,
- Liquidity risk management, and
- Credit risk management.

Authority flows from the Board to the Finance & Risk Committee which is integral to the management of risk.

The main elements of risk governance are as follows:

(i) Archdiocese

The Archdiocese exists and operates in accordance with the 1983 Code of Canon Law. The Archdiocese, in turn, provides the primary guidance to the Board and Management of the ADF through the issuance of specific governance policies covering Board processes, strategic directions, human resources, financial management, quality management, risk management, ethics and public relations.

(ii) The Board

The Board assists the ADF by providing advice and recommendations to Management and the Archbishop in relation to the mandated objectives of the ADF to provide loans and facilitating banking services within the Archdiocese as well as other Catholic entities within Australia.

(iii) Finance and Risk Committee

The Finance and Risk Committee is a standing committee of the Board which provides recommendations and advice in relation to the operational functions of the ADF.

The Committee oversees and appraises the ADF's financial and operational reporting processes, including monitoring the specific risk exposures of the ADF in the areas of liquidity, interest rate, capital management, operating and lending practices to identify and recommend improvements in management policy and strategy to manage risk exposure.

(iv) ADF Management

This group comprises the General Manager, Manager ADF and Assistant General Manager and is responsible for implementing policies and practices to ensure that all loans, investments, liquidity and capital adequacy requirements, are properly managed and reported.

For loans, all credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include borrower's capacity to service the value of all loans commitments, including the new loan or facility, performance on existing loans and security on offer to support the loan (for non-Archdiocesan borrowers). All large credit exposure facilities above $1,000,000 are approved by the Board.

The ADF provides a range of simple products and services to its customers. The products and services do not contravene the APRA and ASIC exemptions. The ADF also has an active program in place that mirrors the requirements of the *Anti-Money Laundering and Counter Terrorism Financing Act 2006*.

18. Risk management policy and objectives (continued)

(iv) ADF Management (continued)

Surplus funds are invested in accordance with the ADF's Investment Policy, which was updated in 2015 for the investment portfolio with QIC. The investment portfolio with QIC is managed by an Investment Management Agreement.

Investment products utilized have historically been very conservative with regards to risk (i.e. term deposits). Required liquidity and capital adequacy are covered by the ADF's Prudential Policy. For liquidity, the ADF maintains a minimum of 10% of total liabilities in prime liquid assets, with access to a standby facility with the Commonwealth Bank and standby arrangements with other Catholic Development Funds. A minimum a capital adequacy level of 14% of risk weighted assets is maintained. Both liquidity and capital adequacy are reported to the Board with the level of capital adequacy reviewed annually by the Board.

The ADF has undertaken the following strategies to minimise the risks arising from financial instruments.

(a) Market risk

The objective of the ADF's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and other volatilities will have an adverse effect on the ADF's financial condition or results. The management of market risk is the responsibility of Management which reports to the Finance & Risk Committee.

The ADF is not exposed to currency risk or other significant price risk. The ADF does not trade in the financial instruments it holds on its books. The ADF is not greatly exposed to interest rate risk arising from changes in market interest rates. This is illustrated by the ADF amending its interest rates only seventeen times from January 1997 to December 2020. The official cash rate has changed thirty-three times in the same period. Furthermore, the ADF does not adjust the regular loan repayments but either shortens or lengthens the term of the loan, providing certainty to the borrower.

Interest rate risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates. The ADF's exposure to interest rate risk is managed on a regular basis in accordance with its Operating Policies. There has been no change to the ADF's exposure to market risk or the way the ADF manages and measures interest rate risk in the reporting period.

The policy of the ADF is to maintain a balanced strategy by ensuring that the net interest rate gaps between assets and liabilities are not excessive. The ADF currently maintains a net interest gap approaching 2% between its return on assets and cost of funds.

Based on calculations as at 31 December 2020, the net operating surplus decline for a +1% movement in interest rates would be $4,730,118 (2019: $2,948,106). The method used to determine the sensitivity was to evaluate the surplus based on the timing of the interest repricing on the transaction book of the ADF for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over the loan products and term deposits;
- the rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the period;
- the term customer funds would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- customer funds would not reprice in the event of a rate change;

18. Risk management policy and objectives (continued)

(a) Market risk (continued)

- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms); and
- the value and mix of call savings to term deposits will be unchanged.

The interest rate sensitivity is not representative of the risk inherent in the financial instruments during the financial year due to:

- The market risk associated with investments in Catholic Church Investment Service and the portfolio with QIC.

The ADF's exposure to interest rate risk, which is the risk that a financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate on classes of financial assets and financial liabilities, is set out below.

	Floating interest rate	Fixed interest rate Within 1 year	Non-interest sensitive	Total	Effective interest rate
	$'000	$'000	$'000	$'000	%
2020					
Cash	5,706	-	-	5,706	0.07%
Investments	249,081	328,847	-	577,928	1.94%
Loans and advances	1,096,992	-	-	1,096,992	3.59%
Other receivables	-	-	2,369	2,369	-
Short-term borrowings	-	-	-	-	0.00%
Customer funds	(1,560,004)	-	-	(1,560,004)	1.54%
Subordinated debt	(10,000)	-	-	(10,000)	1.50%
Other payables	-	-	11	11	-
	(218,225)	**328,847**	**2,380**	**113,002**	
2019					
Cash	2,436	-	-	2,436	0.26%
Investments	76,136	320,697	-	396,833	2.83%
Loans and advances	957,523	-	-	957,523	4.19%
Other receivables	-	-	2,817	2,817	-
Short-term borrowings	-	-	-	-	0.00%
Customer funds	(1,238,614)	(3,720)	-	(1,242,334)	1.95%
Subordinated debt	(10,000)	-	-	(10,000)	1.50%
Other payables	-	-	(2,533)	(2,533)	-
	(212,519)	**316,977**	**284**	**104,742**	

The values discussed above include recognised and unrecognised (undrawn) facilities, including Come & Go facilities. Details of undrawn facilities are described in Note 15.

18. Risk management policy and objectives (continued)

(b) Credit risk

Credit risk is the risk that borrowers, financial institutions and other counterparties will be unable to meet their obligations to the ADF which may result in financial losses. Credit risk arises principally from the ADF's loan book and investment assets.

Credit risk – loans and advances

The method of managing credit risk is by way of strict adherence to the credit assessment policies before loans are approved and maintaining regular contact with the borrower.

The ADF has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to non-mortgage secured loans and concentrations of geographic and industry groups considered a high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Review of compliance with the above policies.

Concentration of credit risk – loans and advances

Concentrations of credit risk arise in the following categories:

	Maximum credit risk exposure for each concentration			
	Percentage of loans For Church Projects (%)		$m	$m
Industry	2020	2019	2020	2019
Education	62%	56%	680	536
Aged care	16%	7%	172	67
Health care	5%	20%	59	192
	83%	83%	911	795
Other non-concentrated	17%	17%	184	163
	100%	100%	1,095	958

Concentrations of credit risk on loans to individual borrowers (including associated borrowers) greater than 10% of capital are detailed as follows:

	2020	2019
Number of loans	20	22
Approved loan balance ($m)	701	704

18. Risk management policy and objectives (continued)

(b) Credit risk (continued)

(i) Past due and impaired loans

ADF applies the AASB 9 general approach to measure expected credit losses.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within the Statement of Comprehensive Income. Subsequent recoveries of amounts previously written off are credited against the same line item.

A monthly report is prepared whereby all non-standard loans are reported, with commentary provided and actions being undertaken noted. Borrowers are contacted regularly by their nominated ADF Relationship Manager and any problems with repayments are raised. Management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. To date, the ADF has never had the need to provide for any impairment loss as it works very closely with the counterparty to resolve any issues. There is no loss allowance as at 31 December 2020.

(ii) Maximum credit risk exposure

The ADF's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to loans, the maximum credit exposure is the value on the Statement of Financial Position plus the undrawn loan commitments. Details of undrawn loan commitments are shown in Note 15.

(iii) Collateral securing loans

The portion of the loan book to non-Archdiocesan entities for loans in excess of $2m is secured on property in Australia (with loans below $2m secured by guarantee). Therefore, the ADF is exposed to risks in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board policy is to carry a 75% Loan to Valuation ratio or less on all loans where security is held. It is the policy of the ADF to allow borrowers with a secured loan or advance reasonable assistance and opportunity to rectify a breach prior to recovery procedures being initiated.

(iv) Concentration risk

Concentration risk is a measurement of the ADF's exposure to an individual counterparty (or group of related parties). The ADF differs significantly from commercial lenders in many ways, including:

- The ADF has a limited number of counterparties that it can lend to.
- These operate in a limited number of industries, predominantly education, health care, aged care and social welfare.

18. Risk management policy and objectives (continued)

(b) Credit risk (continued)

(iv) Concentration risk (continued)

- The ADF is not a standalone entity but a part of the Archdiocesan legal entity.
- Many of the counterparties of the ADF are part of the same legal entity as the ADF.
- Borrowers from the ADF generally have extensive assets and ADF loans are usually only a small portion of the value of those assets.
- All borrowers from the ADF are contributing to the Mission of the Church. In the event that a counterparty to an ADF loan was unable to meet its commitments, the ADF would always seek ways to continue the apostolic work. Sale of any security would only occur after all other avenues had been exhausted.

The Board has adopted a number of measures to assist with the management of loan exposures including:

- Exposures over $2m are reported to the Board each month.
- Loans to a counterparty or group of related counterparties in excess of $10m are reviewed at least annually by the Board.
- Maximum loan exposures are limited according to the borrower category of the counterparty or group of related counterparties:
    - Archdiocesan agencies and parishes,
    - Public Juridic Persons and
    - Other Catholic entities.

Credit risk – liquid investments

Credit risk in relation to liquid investments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the ADF incurring a financial loss. This usually occurs when counterparties fail to settle their obligations owing to the ADF.

(v) Concentration risk

ADF investments for daily cash management are made with Catholic Church Investment Service, whose credit policy is that investments are to be placed with financial institutions that hold a minimum short-term credit rating of "A-2" from Standard & Poor's (S&P) or Moody Investment Services equivalent. Catholic Church Investment Service has established policy that a maximum of 50% can be invested in any one financial institution at a time. The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one entity. Also, the relative size of the ADF compared to the industry is relatively low such that the risk of loss is reduced.

A maximum of 40% of the investment can be placed with any one financial institution that continues to meet the minimum credit rating requirements of Catholic Church Investment Service. Securities must be listed to allow for quick liquidation and have a first call date not exceeding 8 years, with mandatory conversion date no greater than 10 years. It must be noted that on 7 January 2021, the investment limit was increased to 60% for Big 4 Banks only.

Under the current Investment Policy, the ADF maintains its Investment Management Agreement with QIC comprising of cash and fixed interest securities.

18. Risk management policy and objectives (continued)

(b) Credit risk (continued)

Allowable Investments - Physical Assets

The Portfolio may be invested in securities issued by financial institutions (banks and insurers) in Australian Dollars from the following permissible investment options:

- At call and term deposits;
- Discount/money market securities issued by including: bank accepted and endorsed bills, negotiable certificates of deposits and promissory notes;
- Senior debt securities;
- Tier 2 subordinated debt securities;
- Tier 1 subordinated debt securities;
- Hybrids;
- Cash held with the Client's Custodian; and
- QIC Cash Fund units.

Allowable Investments - Derivatives and Synthetics

QIC (as Manager) can purchase or sell the following derivatives:

- Australian interest rate futures contracts (bond and bank bills).
- United States, United Kingdom, Japanese and German interest rate futures contracts.
- Foreign exchange derivatives (spot, forwards, cross currency basis swaps).

Investment Limits

- A maximum of 10% of the portfolio value will be invested in cash, discount securities and QIC Cash Fund units.
- A maximum of 5% of the Portfolio Value will be invested in retail hybrid securities issued by Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Westpac Banking Corporation and National Australia Bank Limited. Retail hybrids of other issuers are not permitted.

Credit limits

- Other than cash and QIC Cash Fund units, all securities will be rated investment grade and have either a long-term credit rating of at least BBB- or a short term credit rating of at least A-3 or equivalent from Standard & Poor's, Moody's or Fitch.
- A maximum of 50% of the QIC Portfolio Value will be invested in securities with a long-term credit rating of BBB+, BBB or BBB-.
- Standard & Poor's, Moody's or Fitch apply short term credit ratings to discount/money market securities and long-term credit ratings to longer dated securities (greater than 1 year). QIC applies the highest credit rating from Standard & Poor's, Moody's or Fitch.

18. Risk management policy and objectives (continued)

(b) Credit risk (continued)

Issuer limits

- No more than 35% of the Portfolio Value will be invested in a single Australian domiciled corporate issuer, excluding cash and discount securities.
- No more than 15% of the Portfolio Value will be invested in a single non-Australian domiciled corporate issuer, excluding cash and discount securities.
- The aggregate investment in non-Australian domiciled corporate issuers, excluding cash and discount securities will be no more than 50% of the Portfolio Value.

Currency limits

- No more than 50% of the Portfolio Value will be invested in securities issued in foreign currencies.
- All foreign currency exposures stemming from offshore investments will be hedged back into Australian dollars. Foreign currency exposures may also exist from time to time in the form of daily fluctuations in the denominating currency value of international investments.
- Offshore asset purchases will be limited to those issued in:
  - United States Dollars.
  - Euro.
  - Great British Pounds.
  - Japanese Yen.

Leverage

The portfolio will not be net leveraged either by direct borrowing or through the use of Derivatives. Net leverage is based on the net market exposure of a portfolio compared to the net asset value of the portfolio. The net market exposure is to remain at or below 100%. Net leverage only restricts a portfolio from having an exposure greater than 100% and does not restrict or limit a portfolio from net negative market exposures.

(ii) External credit assessment for institutional investments

Catholic Church Investment Service uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure. The position as at 31 December 2020 is shown below:

Issuer Rating Composition

Rating	% of Total Portfolio		% of Total Portfolio	
	2020	Prudential Portfolio Limit 2020	2019	Prudential Portfolio Limit 2019
A-1+	89.05%	100%	72.19%	100%
A-1	8.76%	100%	0.00%	100%
A-2	2.19%	100%	27.81%	100%
	100.00%		**100.00%**	

18. Risk management policy and objectives (continued)

(b) Credit risk (continued)

(ii) External credit assessment for institutional investments

The investment portfolio with QIC is managed by the Investment Management Agreement, with parameters set as follows:

Issuer Rating Composition

Rating	% of Total Portfolio		% of Total Portfolio	
	2020	Prudential Portfolio Limit 2020	2019	Prudential Portfolio Limit 2019
AAA	0.00%	100.00%	0.00%	100.00%
AA	0.00%	100.00%	0.00%	100.00%
A	86.97%	100.00%	94.58%	100.00%
BBB	10.11%	50.00%	2.36%	50.00%
Cash	2.92%	10.00%	3.06%	10.00%
	100.00%		**100.00%**	

(c) Liquidity risk

Liquidity risk is the risk that the ADF may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. borrowing repayments or customer withdrawal demands. It is the policy of the Board that the ADF maintains adequate cash reserves and committed credit facilities so as to meet the customer withdrawal demands when requested.

The ADF manages liquidity risk by:

- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and financial liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the policy liquidity ratio daily.

The ADF has long standing arrangements with other Catholic Development Funds and the Commonwealth Bank of Australia to access funds to provide support to the ADF should this be necessary at short notice.

While the ADF is not subjected to APRA Regulations, it has resolved to maintain a level of liquid assets which the Board believes is required to provide comfort to its customers. The ADF has resolved to maintain at least 10% of total liabilities as prime liquid assets. The ADF's policy is to apply 10% of funds as liquid assets to maintain adequate funds for meeting customer withdrawal requests. The ratio is checked daily. Should forecasting show that the liquidity ratio may fall below this level, ADF management are to address the matter and ensure that the liquid funds are obtained from new customer investments and the borrowing facilities available. The maturity profile of financial liabilities based on contractual repayment terms is set out in Note 19.

18. Risk management policy and objectives (continued)

(c) Liquidity risk (continued)

The ratio of liquid funds over the past year is set out below:

	2020	2019
Liquid funds to total adjusted liabilities:		
- As at 31 December	43.24%	31.57%
- Average for the year	40.56%	47.63%
- Minimum during the year	18.62%	30.75%
Liquid funds to total customer investments:		
- As at 31 December	36.81%	31.69%

(d) Capital adequacy

The Australian Prudential Regulatory Authority (APRA) sets and monitors capital requirements for Approved Deposit-taking Institutions (ADIs) under Australian Prudential Standard (APS) 110 Capital Adequacy. While the ADF is not subject to APRA Regulations, it has resolved to maintain a level of capital which the Board believes is required to provide comfort to its customers (excluding Archdiocesan agencies). Under the APRA Standard, an ADI must maintain minimum levels of Tier 1 capital and may also hold Tier 2 capital up to certain prescribed limits. Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

- Provide a permanent and unrestricted commitment of funds;
- Are freely available to absorb losses;
- Do not impose any unavoidable servicing charges against earnings; and
- Rank behind claims of depositors and other creditors in the event of winding up.

The ADF has applied a modified Capital Adequacy methodology to consider the characteristics of its operating environment. The ADF's Tier 1 capital includes the Accumulated Funds of the ADF.

Tier 2 capital comprises a deposit from the Archdiocese subordinated for this purpose as set out in Note 11.

Capital in the ADF is made up as follows:

	2020 $'000	2019 $'000
Tier 1 capital		
Accumulated funds	114,040	105,578
Less: Asset Revaluation Reserve	-	(3)
Net Tier 1 Capital	**114,040**	**105,581**
Tier 2 capital		
Subordinated customer funds	10,000	10,000
Net Tier 2 capital	**10,000**	**10,000**
Total capital	**124,040**	**115,581**

18. Risk management policy and objectives (continued)

(d) Capital adequacy (continued)

The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The ADF has a minimum capital ratio of 14%. The capital ratios as at the end of each reporting period, for the past 5 years are as follows:

2020	2019	2018	2017	2016
15.63%	17.70%	18.22%	16.46%	15.99%

The ADF's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with capital ratios. To manage the ADF's capital, the ADF reviews the ratio monthly and monitors major movements in asset levels. The ADF's Operating Policies requires monthly reporting to the Board of the ratio.

19. Maturity profile of financial liabilities

The tables below analyse ADF's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2020							
Other payables	(9)	-	-	-	-	(9)	(9)
Customer Funds	1,499,945	60,212	-	-	-	1,560,004	1,560,157
Archdiocesan investment	-	-	-	-	10,000	10,000	10,000
	1,499,936	**60,212**	**-**	**-**	**10,000**	**1,569,995**	**1,570,148**
2019							
Other payables	2,533	-	-	-	-	2,533	2,533
Customer Funds	1,238,614	3,727	-	-	-	1,242,341	1,242,334
Archdiocesan investment	-	-	-	-	10,000	10,000	10,000
	1,241,147	3,727	-	-	10,000	1,254,874	1,254,867

To manage liquidity risk arising from financial liabilities, the ADF holds liquid assets comprising cash and cash equivalents and investment securities. These assets can be readily sold to meet liquidity requirements. Hence, the ADF believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

20. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the ADF:

	2020 $'000	2019 $'000
Audit and review of financial statements	**50**	43
Other assurance services	**-**	4
Total remuneration for audit and other assurance services	**50**	47

21. Major service providers

(a) Commonwealth Bank of Australia (CBA)

The ADF relies on the CBA to provide a range of banking services. In particular the CBA acts as the clearing house for the ADF in order to facilitate the provision of the cheque issuance facility, agency payment facility and all over-the-counter transactions carried out at local CBA branches. The ADF is also treated as a closed branch of the CBA which provides the platform for electronic transactions.

(b) Melbourne CDF

The ADF relies on the Melbourne CDF to provide bureau services for its main application software. The Melbourne CDF also provides the ADF with support services and system enhancement capabilities. Subsequent to 31 December 2020, the Melbourne CDF continues to provide day-to-day operational support however hosting services have been outsourced to an external service provider.

c) Queensland Investment Corporation (QIC)

The ADF relies on QIC to provide investment management advice and services in relation to Financial Assets and associated instruments. QIC has been relied upon to provide monthly reporting and transaction details on the ADF investments held under the Investment Management Agreement.

22. Standby arrangements and credit facilities

The ADF has access to standby arrangements, subject to annual review.

Standby arrangements	**2020** $'000			**2019** $'000		
	Available	Used	Unused	Available	Used	Unused
CBA	25,000	-	25,000	25,000	-	25,000
<u>Catholic Development Funds</u>:						
Cairns	10,000	-	10,000	10,000	-	10,000
Townsville	10,000	-	10,000	10,000	-	10,000
Toowoomba	10,000	-	10,000	10,000	-	10,000
Rockhampton	10,000	-	10,000	10,000	-	10,000
Total	**65,000**	**-**	**65,000**	**65,000**	**-**	**65,000**

The CCIS has access to standby arrangements, subject to annual review.

Standby arrangements	**2020** $'000			**2019** $'000		
	Available	Used	Unused	Available	Used	Unused
NAB	25,000	-	25,000	25,000	-	25,000
Total	**25,000**	**-**	**25,000**	**25,000**	**-**	**25,000**

This standby facility will allow the ADF to remain responsive to unexpected fluctuations in cash flows from CCIS members.

	2020 $'000	2019 $'000
Contingent liabilities facility		
Total bank guarantee and indemnity facility provided by CBA	12,700	12,700
Used at balance date	(3,725)	(3,768)
Unused at balance date	**8,975**	**8,932**

Statement by Vicar General and General Manager

It is our opinion that:

a) the accompanying Statement of Comprehensive Income presents fairly the financial performance of the ADF for the year ended 31 December 2020;

b) the accompanying Statement of Financial Position presents fairly ADF's state of affairs as at 31 December 2020;

c) the accompanying Statement of Changes In Equity presents fairly the movements in equity of the ADF for the year ended 31 December 2020;

d) the accompanying Statement of Cash Flows presents fairly the cash flows of the ADF for the year ended 31 December 2020;

e) the financial statements have been made out in accordance with both the accounting policies described in Note 2 to the financial statements and ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813; and

f) there are reasonable grounds to believe that the ADF will be able to pay its debts and repay its customers as and when they become due and payable.

Dated this thirteenth day of April 2021

+ K Howell

Most Reverend Kenneth Michael Howell
Vicar General
Archdiocese of Brisbane

A Musial

Andrew Musial
General Manager
Archdiocesan Development Fund

Independent auditor's report

To the Archbishop of the Archdiocese of Brisbane in respect of Archdiocesan Development Fund

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Archdiocesan Development Fund (the Agency) as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with Sections 15 and 16 of ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813 and the Australian Accounting Standards to the extent described in Note 2 of the financial report.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 December 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the statement by the Vicar General and General Manager.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Agency in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared to fulfil the financial reporting requirements under Canon Law and to meet the requirements of ASIC Corporations (Charitable Investment Fundraising) Instrument 2016/813. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Archdiocesan Development Fund and the Archbishop of the Archdiocese of Brisbane for the purpose for which it is prepared and should not be used by parties other than

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Archdiocesan Development Fund and the Archbishop of the Archdiocese of Brisbane. Our opinion is not modified in respect of this matter.

Responsibilities of management and the Vicar General and General Manager for the financial report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards to the extent described in Note 2 of the financial report, and for such internal control as Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The Vicar General and General Manager have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the needs of the Archbishop of the Archdiocese of Brisbane.

In preparing the financial report, Management is responsible for assessing the ability of the Agency to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

The Vicar General and General Manager are responsible for overseeing the Agency's financial reporting process.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

K Challenor

Kim Challenor
Partner

Brisbane
13 April 2021